

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Planning and Building	(2) MEETING DATE 11/13/2012	(3) CONTACT/PHONE Ted Bench, Planner III / 805-781-5701	
(4) SUBJECT Hearing to consider the Annual Report and Action Plan prepared in conformance with Title 29 – Affordable Housing Fund, and annual adjustment of the in-lieu and housing impact fee schedules of Title 29.			
(5) RECOMMENDED ACTION That the Board of Supervisors: <ol style="list-style-type: none"> 1. Hold the hearing to consider the Title 29 Annual Report and Action Plan and the annual adjustment to the in-lieu and housing impact fee schedules of Title 29; 2. Adopt and instruct the chairman to sign the attached resolution to approve the Title 29 Annual Report and Action Plan; and 3. Adopt and instruct the chairman to sign the attached resolution to adopt the annual adjustment to the in-lieu and housing impact fee schedules of Title 29. 			
(6) FUNDING SOURCE(S) Current Budget	(7) CURRENT YEAR FINANCIAL IMPACT N/A	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input checked="" type="checkbox"/> Hearing (Time Est. <u>45 minutes</u>) <input type="checkbox"/> Board Business (Time Est. <u> </u>)			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? Yes	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date <u>10/6/13</u> - Introduced <u> </u>	
(17) ADMINISTRATIVE OFFICE REVIEW Reviewed by Leslie Brown			
(18) SUPERVISOR DISTRICT(S) All Districts -			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Planning and Building / Ted Bench, Planner III

VIA: Chuck Stevenson, AICP, Division Manager, Long Range Planning

DATE: 11/13/2012

SUBJECT: Hearing to consider the Annual Report and Action Plan prepared in conformance with Title 29 – Affordable Housing Fund, and annual adjustment of the in-lieu and housing impact fee schedules of Title 29.

RECOMMENDATION

That the Board of Supervisors:

1. Hold the hearing to consider the Title 29 Annual Report and Action Plan and the annual adjustment to the in-lieu and housing impact fee schedules of Title 29;
2. Adopt and instruct the chairman to sign the attached resolution to approve the Title 29 Annual Report and Action Plan; and
3. Adopt and instruct the chairman to sign the attached resolution to adopt the annual adjustment to the in-lieu and housing impact fee schedules of Title 29.

DISCUSSION

The County has an inclusionary housing ordinance and Title 29 - the Affordable Housing Fund. These County codes allow a developer to pay an in-lieu fee (for residential projects) or a housing impact fee (for commercial projects) instead of providing affordable housing units. The fees are deposited into the Affordable Housing Fund.

Title 29 requires full public disclosure of how the fees are collected and spent. All such activities are described in the attached Annual Report and Action Plan prepared by the Planning and Building Department. Title 29 also authorizes an annual review and adjustment of the fee schedules. Any fee adjustments will become effective within 180 days after Board action, by July, 2013.

Additional time is reserved on the Board of Supervisors meeting of December 4, 2012, in case the Board directs staff to return with changes to the Annual Report, the Action Plan, and/or the Title 29 fee adjustments.

Part 1: Annual Report

The attached Annual Report follows the requirements of Title 29 Section 29.05.010. The report describes several things: 1) the amount of Title 29 fees that were collected and spent, 2) the affordable housing projects that were funded, 3) the number of housing units produced, and 4) the number of individuals assisted.

The following table shows the amount of revenues received and spent since January, 2009.

2013 Action Plan – Table 1
Summary of All Accounts
Between January, 2009 and November, 2012

Account	Income from Fees** (+)	Income from Interest (+)	Disbursements (--)	Amount Available
In-Lieu Fees	\$25,071.58	\$112.00	\$4,512.97	\$20,670.61
Housing Impact Fees	\$85,554.43	\$391.45	\$34,261.46	\$51,684.42
Total	\$110,626.01	\$503.45	\$38,774.43	\$72,355.03

At the beginning of 2012, there was \$39,155.15 available in the Fund. Pursuant to the 2012 Action Plan, the County used the \$39,155.15 to help pay a portion of the construction costs for 56 affordable housing units in two projects in San Luis Obispo and Templeton. The following table shows the status of the funded projects:

2013 Action Plan – Table 5
Projects Supported by the Title 29 Fund during the Previous Year (2012 Action Plan)

Project Name	Amount Allocated	Amount Drawn	Remaining Amount (if any)	Was Project Completed?
Tract 2458 Terebinth Lane Templeton (29 units)	\$12,837.61	\$12,837.61	\$0	Yes – paid to landscape the frontage road and entrance to affordable housing community
Moylan Terrace San Luis Obispo (21 units)	\$21,423.85	\$21,423.85	\$0	Project not yet finished. Paid for soil testing and the relocation of gas line
Tract 2975 Oceano (6 units)	\$4,893.55	\$0	\$4,893.55	No – start date moved to 2013

Of the \$39,155.15 in Title 29 funds available in 2012, \$34,261.46 was spent down. The eligible projects were located in north, central and south county areas. The south county project in Oceano (Tract 2975) was not started because its eligible buyers chose to go to another affordable housing project in Nipomo. The Oceano project remains eligible because a new buyers' list is being completed and construction will begin in the Spring or Summer of 2013.

Part 2: Annual Action Plan

The Action Plan for 2013 will guide the use of the affordable housing fees for the coming year. Title 29 directs the County to allocate the Title 29 funds to affordable housing projects within the same planning or housing market area as the projects that generated the funds.

The following table summarizes the funding amounts available for each area of the County.

2013 Action Plan – Table 2
Funds Available for Each Area of the County**

Account	North County	South County	Central County	North Coast	Interest	Total
In-Lieu Fees	\$5,875.00	\$14,241.00	\$0	\$442.61	\$112.00	\$20,670.61
Housing Impact Fees	\$4,688.17	\$20,106.62	\$26,498.18	\$0	\$391.45	\$51,684.42
Total	\$10,563.17	\$34,347.62	\$26,498.18	\$442.61	\$503.45	\$72,355.03

**The County is divided into four Housing Market Areas (see Action Plan Appendix - Housing Market Area Map).

Title 29 requires the Action Plan to identify specific projects that will receive the affordable housing funds.

2013 Action Plan – Table 6
Projects to be Funded in 2013

Project Name	Amount Allocated
Tract 2975 Oceano (6 units)	\$34,347.62 (2013) + \$34.00 (\$5.66 X 6 units)**
Rockview Place San Luis Obispo (3 units)	\$26,498.18 + \$17.00 (\$5.66 X 3 units)**
Oak Park (Phase 1) Paso Robles (80 units)	\$10,563.17 + \$453.00 (\$5.66 X 80 units)**
Not Allocated: \$442.61 from North Coast area	\$0
Total amount allocated	\$71,912.97

**Table 1 of the 2013 Action Plan shows a total interest deposit of \$503.45. This amount shall be divided among the three projects identified above. $\$503.45 / 89 \text{ units} = \5.66 per unit .

The County has allocated Title 29 funds to three projects in 2013. People's Self-Help Housing Corporation will begin construction on Tract 2975 in the Spring or Summer of 2013. Tract 2975 is a "sweat equity" subdivision that will provide six townhouse units in Oceano. All of the units are being built by low and very low income homeowners who also qualify as farmworker households. Habitat for

Humanity for San Luis Obispo County will start construction of its Rockview Place project in January, 2013. The Rockview project is also a “sweat-equity” subdivision, and it will produce three single family dwellings in the City of San Luis Obispo. The Paso Robles Housing Authority will begin construction of the redevelopment project known as Oak Park in the Spring of 2013. Oak Park (Phase 1) will include the demolition of 20 old apartment units and the construction of 40 new affordable apartment units.

The attached Action Plan and resolution reflect these recommendations.

Part 3: Annual Fee Adjustment and Nexus Studies

Title 29 – the Affordable Housing Fund of the San Luis Obispo County Code -- requires the Board to consider annual adjustments to the affordable housing fee schedules. The Board shall adopt a resolution reflecting any actions taken with regards to the fee schedules.

The fees may be adjusted to reflect the following changes:

- Annual construction cost changes
- Periodic update of the fee formulas
- Five-year phase-in period

The County's inclusionary housing ordinance allows developers to meet their affordable housing requirements by providing affordable dwellings, paying fees, or donating land. In-lieu fees are collected from residential projects and may be spent on construction related costs (i.e. permit fees and housing programs) for affordable housing. Housing impact fees are collected from commercial projects and may be spent only for construction of affordable housing. These spending restrictions are set by Title 29 and related state mitigation fee codes.

This year two Nexus Studies were prepared that reviewed the Title 29 fee formulas for residential and commercial projects. The Studies recommend significant changes due to the current housing prices, construction costs, and the affordable housing needs caused by today's residential and commercial projects in the county. The Studies offer a legally defensible set of fees for Title 29. They update the fee schedules from the previous studies in 2007.

The Nexus Studies recommend that the in-lieu fees be reduced from the current **\$10.00/SF to \$3.55/SF**, and that most of the housing impact fees be increased by 30% to 50%, as follows:

Type of Property	2012 Fees	Commercial Nexus Study	% of Change
Commercial Retail	\$2.22	\$3.24	46%
Commercial Service / Office	\$2.58	\$2.25	-13%
Hotel/Motel	\$2.22	\$3.40	53%
Industrial/Warehouse	\$1.03	\$1.35	31%
Other, Non-Residential	\$1.94	\$2.97	53%

(NOTE: All of the fee amounts described in this report are the “Year 5” fee amounts. The County actually collects 20% of the full fee amounts (“Year 1”). In addition, the 2012 Fees and Nexus Study fees in the chart above capture only 5% of the justified fee amount that could be charged to commercial projects.)

The Studies reflect the low housing prices during 2011 and the first half of 2012 in the County. They also reflect more accurate information on new jobs and salaries in the County's commercial development. The fee schedules in the attached resolution use the recommendations of the Nexus Studies. There is no need to consider the annual construction cost changes since the Nexus Studies use current construction costs.

The Studies document the volume of new construction in the unincorporated areas, the increase in the service population needed to support the new homes and businesses, and the affordability gap between current housing prices and what the support population can afford. This is the support population that serves the homeowners who buy the County's new housing stock and that also provides the employees who work in the new commercial / industrial projects.

Five-Year Phase-In Period

Since 2009, when the ordinance was implemented, the County has stayed in "Year 1" of a five-year phase-in period for the Title 29 fee schedules. Only 20% of the Title 29 fees are collected. For example, with the current in-lieu of \$10.00/SF for new housing, only \$2.00/SF is collected (20%). If the adjustments of the Nexus Studies are adopted, then 20% of \$3.50 (\$0.70/SF) would be collected from housing development. Most housing impact fees would increase for commercial development (see chart above).

The Planning and Building Department suggests that the Title 29 fee schedules be adjusted to include the recommendations of the Nexus Studies, but that the County leave the fee schedules at "Year 1." Residential and commercial development is only beginning to recover from the impacts of the economic recession. The fee schedules in the attached resolution reflect the adjustments of the Nexus Studies, but at a reduced amount to reflect Year 1 of the five-year phase-in period.

Options to Consider

Your Board may wish to consider the following options when adjusting the fee schedules:

1. Stay at "Year 1" and add the fee adjustments of the Nexus Studies.
2. Go to "Year 2" and add the fee adjustments of the Nexus Studies.
3. Go to "Year 3," "Year 4", or "Year 5" and add the fee adjustments.

NOTE: The attached resolution reflects Option 1, as suggested by staff.

OTHER AGENCY INVOLVEMENT/IMPACT

The attached resolutions have been reviewed by County Counsel. County Counsel has approved the resolutions as to form and legal effect.

BUSINESS IMPACT STATEMENT

Incorporating the recommendations of the Nexus Studies would update the Title 29 fee schedules to reflect the current volume of construction activities, housing prices, and the affordable housing demands generated by new development. The recommended action, option #1, would lessen the permit fee costs for new construction and allow the local building industry more recovery time from the economic recession. As a result, some businesses in the Building Design and Construction cluster identified in the San Luis Obispo County Clusters of Opportunity Economic Strategy (November 2010) would benefit. The County continues to have the option of stepping up the Title 29 fee schedules to "Year 2" or "Year 3" (or 4 or 5) with each annual fee adjustment cycle.

FINANCIAL CONSIDERATIONS

The Board's action will determine the level of adjustment to the Title 29 fee schedules for FY 2013/2014. Fee changes will go into effect in July, 2013.

These actions do not affect the cost to the County for administering the ordinances.

All County staff costs for administering Title 29 and the inclusionary housing ordinance are contained within the Planning and Building Department budget.

RESULTS

The intended result is to protect the viability of the building industry and to require a fair contribution to address the affordable housing needs caused by new development.

Encouraging the provision of affordable housing helps the County to meet many of its county-wide goals, including the goal of creating more livable communities.

ATTACHMENTS

- A. Title 29 Annual Report and Action Plan Year 2013
- B. Residential Housing Impact Fee Nexus Study
- C. Updated Commercial Linkage Fee Nexus Study
- D. Resolution to Approve the Annual Report and Action Plan for Year 2013
- E. Resolution to Adopt the Annual Adjustment to the Fee Schedules of Title 29